

BUSK IVANHOE WATER SYSTEM AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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**Schmidt,
Valentine,
Whittemore**
& Company, P.C.
Certified Public Accountants

Daniel H. Valentine, CPA
Virginia D. Whittemore, CPA
Bernard O. Schmidt, 1922-2013

Members:
AICPA
CSCPA

119 Colorado Avenue/Pueblo, Colorado 81004-4213/ (719) 543-2066

INDEPENDENT AUDITORS' REPORT

Board of Directors
Busk Ivanhoe Water System Authority
Pueblo, Colorado

We have audited the accompanying financial statements of Busk Ivanhoe Water System Authority, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Busk Ivanhoe Water System Authority, as of December 31, 2020 and 2019, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2021 on our consideration of Busk Ivanhoe Water System Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Busk Ivanhoe Water System Authority's financial statements as a whole. The supplementary financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary financial information as listed in the table of contents has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Schmidt, Valentine, Whittemore & Company, P.C.

SCHMIDT, VALENTINE, WHITTEMORE & COMPANY, P.C.
Certified Public Accountants

June 21, 2021

BUSK IVANHOE WATER SYSTEM AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

This discussion and analysis of the Busk Ivanhoe Water System Authority's financial performance provides an overview of financial activities for the year ended December 31, 2020 and should be read in conjunction with the Authority's financial statements and related notes.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position provides information about the Authority's assets and liabilities and reflects the Authority's financial position as of December 31, 2020 and 2019. The statement of revenues, expenses and changes in net position reports the activity of operating the Authority and the expenses related to such activity for the years ended December 31, 2020 and 2019. Finally, the statement of cash flows outlines the cash inflows and outflows related to the activity of operating the Authority for the years ended December 31, 2020 and 2019.

Statement of Net Position

The statement of net position is a financial snapshot of the Busk Ivanhoe Water System Authority at December 31, 2020 and 2019. It presents the fiscal resources of the Authority (assets), the claims against those resources (liabilities) and the residual available for future operations (net position). Assets and liabilities are classified by liquidity as either current or non-current. Net position is separated into two categories. The first category, net investment in capital assets, consists of capital assets (net of depreciation) less related liabilities and outstanding debt incurred to purchase or produce those assets. The second category, unrestricted, consists of current assets less all liabilities unrelated to acquisitions of capital assets.

The following table is a condensed look at the Authority's statement of net position.

| CONDENSED STATEMENTS OF NET POSITION | | |
|---|---------------------|---------------------|
| DECEMBER 31, 2020 AND 2019 | | |
| | 2020 | 2019 |
| ASSETS | | |
| Current assets | \$ 603,305 | \$ 457,917 |
| Capital assets | 2,962,277 | 3,130,612 |
| Total assets | 3,565,582 | 3,588,529 |
| LIABILITIES | | |
| Current liabilities | 20,408 | 37,616 |
| Long-term liabilities | 38,230 | 40,420 |
| Total liabilities | 58,638 | 78,036 |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 2,962,277 | 3,130,612 |
| Unrestricted | 544,667 | 379,881 |
| Total Net Position | \$ 3,506,944 | \$ 3,510,493 |

BUSK IVANHOE WATER SYSTEM AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the financial activity of the Busk Ivanhoe Water System Authority over the years ended December 31, 2020 and 2019. The focus is on operating revenues and expenses that have a significant effect on the operation of the Water System.

The following table is a condensed look at the Authority's statement of revenues, expenses and changes in net position.

CONDENSED STATEMENTS OF REVENUE, EXPENSES & CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|--------------|--------------|
| Operating Revenues | \$ 492,892 | \$ 482,518 |
| Operating Expenses | | |
| Personnel services | 181,896 | 175,549 |
| Operation and maintenance | 143,649 | 156,545 |
| Depreciation | 170,971 | 162,248 |
| Total operating expenses | 496,516 | 494,342 |
| Operating Income | (3,624) | (11,824) |
| Total Nonoperating Revenues (Expenses) | 75 | 32,181 |
| Change in Net Position | (3,549) | 20,357 |
| Net Position, January 1 | 3,510,493 | 3,490,136 |
| Net Position, December 31 | \$ 3,506,944 | \$ 3,510,493 |

Operating Revenues

In 2020 and 2019 operating assessments received from each member of the Authority were established at \$225,000 and \$225,000 respectively. The operating assessments from the members accounts were approximately 91% and 93% of operating revenues in 2020 and 2019 respectively. The balance of revenue in each year was received from an intergovernmental agreement with Colorado Springs Utilities, from which the Authority is reimbursed for the cost of an employee whose time is divided between the Authority and an affiliate of Colorado Springs Utilities.

Operating Expenses

Operating expenses consist of three categories; personnel services which include salaries and benefits paid and accrued for the employees of the Authority, operation and maintenance expense, and finally, depreciation on the Authority's capital assets. In 2020, personnel services had a slight increase of 3.6 percent due to a combined 179 hours of sick leave sold for reaching the maximum allowable sick leave accumulation. Operation and maintenance remained the same as the prior year with routine maintenance and repairs completed and no major projects. The depreciation expense increased due to depreciation on assets placed in service in 2020.

BUSK IVANHOE WATER SYSTEM AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

Nonoperating Revenues

Nonoperating revenues consists of sale of assets and interest income. The decrease in 2020 was due to no equipment sales taking place in the current year.

COVID-19 Response

The COVID-19 pandemic provided Busk Ivanhoe Water System Authority a number of opportunities to demonstrate its resilience and innovation. Busk Ivanhoe rented camping trailers housed at the US Bureau of Reclamation's Meredith compound as a base for caretakers to continue maintaining the water collection system for the year.

Currently Known Facts, Decisions or Conditions

In 2020 the operating assessment was \$225,000 from each member and for the year 2021 the assessments are forecasted to increase to \$550,000; with allocations of \$286,000 from Aurora Water and \$264,000 from Pueblo Water or 52% and 48% respectively. For the period 2022 – 2025, the annual assessments are forecasted to increase to \$575,000; with allocations of \$299,000 for Aurora Water and \$276,000 from Pueblo Water or 52% and 48% respectively.

The Authority's five-year capital plan calls for the following:

- 2021 - Continue improvements to Hidden & Lyle Ditches, replace a Siemens generator, Carlton tunnel evaluation and repair, and concrete repair on the tunnel outlet structure. The Authority has estimated \$390,500 for these items.
- 2022 - Continue improvements to Hidden & Lyle Ditches, replacement of solar batteries and panel, and tunnel repair. The Authority has estimated \$541,000 for these items.
- 2023 - Continue improvements to Hidden & Lyle Ditches, tunnel repair and replacement of a 1-ton pickup. The Authority has estimated \$265,000 for these items.
- 2024 – Continue improvements to Hidden & Lyle Ditches, and replace a backhoe. The Authority has estimated \$150,000 for these items.
- 2025 – Continue improvements to Hidden & Lyle Ditches, and replace concrete aprons at the shop. The Authority has estimated \$32,000 for these items.

Requests for Information

This report is provided as a general overview of the Busk Ivanhoe Water System Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to:

Water Resource Division Manager
Board of Water Works of Pueblo, Colorado
P.O. Box 400
Pueblo, CO 81002-0400

BUSK IVANHOE WATER SYSTEM AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|-------------------------------------|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash (Note 3) | \$ 597,103 | \$ 436,365 |
| Accounts receivable | - | 359 |
| Prepaid expense | 6,202 | 21,193 |
| Total current assets | 603,305 | 457,917 |
| | | |
| CAPITAL ASSETS (NOTE 4) | | |
| Building and improvements | 1,935,603 | 1,935,603 |
| Furniture and fixtures | 16,866 | 16,866 |
| Machinery and equipment | 910,838 | 910,838 |
| Collecting and impounding reservoir | 1,496,947 | 1,494,311 |
| Wells | 11,644 | 11,644 |
| | 4,371,898 | 4,369,262 |
| Less accumulated depreciation | 1,409,621 | 1,238,650 |
| Total capital assets | 2,962,277 | 3,130,612 |
| | | |
| Total assets | 3,565,582 | 3,588,529 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable (Note 5) | 5,200 | 24,189 |
| Accrued expenses | | |
| Payroll | 2,962 | 2,707 |
| Payroll taxes | 6,441 | 6,165 |
| Vacation (Note 6) | 5,805 | 4,555 |
| Total current liabilities | 20,408 | 37,616 |
| | | |
| LONG-TERM LIABILITIES | | |
| Accrued sick leave (Note 6) | 38,230 | 40,420 |
| Total liabilities | 58,638 | 78,036 |
| | | |
| NET POSITION | | |
| Net investment in capital assets | 2,962,277 | 3,130,612 |
| Unrestricted | 544,667 | 379,881 |
| Total net position | \$ 3,506,944 | \$ 3,510,493 |

The accompanying notes are an integral part of the financial statements

BUSK IVANHOE WATER SYSTEM AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|---------------------|---------------------|
| OPERATING REVENUE | | |
| Operating assessments | \$ 450,000 | \$ 450,000 |
| Other operating income | - | 24 |
| Expense reimbursements | <u>42,892</u> | <u>32,494</u> |
| Total operating revenue | <u>492,892</u> | <u>482,518</u> |
| OPERATING EXPENSES | | |
| Personnel services | 181,896 | 175,549 |
| Operation and maintenance | 143,649 | 156,545 |
| Depreciation | <u>170,971</u> | <u>162,248</u> |
| Total operating expenses | <u>496,516</u> | <u>494,342</u> |
| NONOPERATING REVENUE | | |
| Interest income | 75 | 181 |
| Sale of assets | <u>-</u> | <u>32,000</u> |
| Total nonoperating revenue | <u>75</u> | <u>32,181</u> |
| CHANGE IN NET POSITION | (3,549) | 20,357 |
| NET POSITION, JANUARY 1 | <u>3,510,493</u> | <u>3,490,136</u> |
| NET POSITION, DECEMBER 31 | <u>\$ 3,506,944</u> | <u>\$ 3,510,493</u> |

The accompanying notes are an integral part of the financial statements

BUSK IVANHOE WATER SYSTEM AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating assessments received | \$ 450,000 | \$ 450,000 |
| Payments to employees | (124,118) | (124,868) |
| Payments to suppliers | (193,425) | (195,784) |
| Other receipts (payments) | <u>30,917</u> | <u>19,358</u> |
| Net cash provided by operating activities | <u>163,374</u> | <u>148,706</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of capital assets | (2,636) | (251,632) |
| Proceeds from sales of capital assets | <u>-</u> | <u>32,000</u> |
| Net cash used for capital and related financing activities | <u>(2,636)</u> | <u>(219,632)</u> |
| NET INCREASE (DECREASE) IN CASH | 160,738 | (70,926) |
| CASH AT BEGINNING OF YEAR | <u>436,365</u> | <u>507,291</u> |
| CASH AT END OF YEAR | <u>\$ 597,103</u> | <u>\$ 436,365</u> |
| RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Change in net position | <u>\$ (3,549)</u> | <u>\$ 20,357</u> |
| Adjustments to reconcile change in net position to net cash provided by operating activities | | |
| Depreciation | 170,971 | 162,248 |
| Gain on disposal of assets | - | (32,000) |
| Changes in assets and liabilities | | |
| (Increase) decrease in receivables | 359 | (359) |
| (Increase) decrease in prepaid expense | 14,991 | (17,024) |
| Increase (decrease) in accounts payable | (18,989) | 21,095 |
| Increase (decrease) in accrued payroll | 255 | 252 |
| Increase (decrease) in accrued payroll taxes | 276 | (505) |
| Increase (decrease) in accrued vacation and sick leave | <u>(940)</u> | <u>(5,358)</u> |
| Total adjustments | <u>166,923</u> | <u>128,349</u> |
| Net cash provided by operating activities | <u>\$ 163,374</u> | <u>\$ 148,706</u> |
| SUPPLEMENTAL DISCLOSURE | | |
| Interest paid during the year | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of the financial statements

BUSK IVANHOE WATER SYSTEM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1- Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Busk Ivanhoe Water System Authority was formed by an Intergovernmental Agreement between the City of Aurora, Colorado and the Board of Water Works of Pueblo, Colorado. The Busk-Ivanhoe Water System was originally created in 1971 as a joint venture, when the Board of Water Works of Pueblo, Colorado and the City of Aurora, Colorado each bought approximately fifty percent of the water rights of the High Line Canal Company. Although originally no formal organization was established, the System was created as a joint venture between the two purchasers for the purpose of maintaining the water collection system and collecting and distributing the water pertaining to the water rights acquired by the two parties. Effective January 1, 2008, an Intergovernmental Agreement was established to create the Busk-Ivanhoe Water System Authority as a governmental entity separate from the Board and Aurora, pursuant to Section 18(2)(a) and (b) of Article XIV, Constitution of the State of Colorado, and to Part 2 of Article 1 of Title 29, Colorado Revised Statutes, to effect the development, operation, maintenance, and capital improvement of the Busk-Ivanhoe Water System.

The accompanying summary of Busk Ivanhoe Water System Authority's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

Enterprise Fund

Although the Busk Ivanhoe Water System Authority does not provide services for which it derives revenues and is financed from operating assessments from its members, it is operated as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to those benefited be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net revenue, financial position and cash flows is appropriate for capital maintenance, management control, accountability of other purposes. The acquisition, maintenance and improvement of the physical plant facilities, required to provide these goods or services are financed from existing cash resources, Federal or State grants, capital leases, etc. The generally accepted accounting principles here are those applicable to similar businesses in the private sector and, therefore, are recognized on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method all assets and liabilities, associated with operations are included on the statements of net position, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Busk Ivanhoe Water System Authority applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

BUSK IVANHOE WATER SYSTEM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budget

The Authority annually adopts a budget for the following year. This process begins in October when the general manager, with input from the System's staff, prepares a preliminary budget. The Treasurer then reviews the document for completeness and accuracy. The President, after his final review, provides the Board of Water Works of Pueblo, Colorado and the City of Aurora, Colorado with a copy. The final budget, including all the appropriate resolutions is then submitted to the State of Colorado Department of Local Affairs.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Busk Ivanhoe Water System Authority considers all cash in checking accounts and money market accounts to be cash equivalents.

Revenues and Expenses

Operating revenues consist primarily of assessments paid by the two members for the operation of the Authority. Operating expenses consist of the costs of maintaining the water collection system and collecting and distributing the water to the members. The Authority received approximately 91% and 93% of its operating revenues for 2020 and 2019 respectively from assessments paid by the members. The balance of the operating revenues consists of expense reimbursements and other miscellaneous operating revenue. All other revenues and expenses are classified as non-operating. Nonoperating revenue consists of sale of assets and interest income.

Capital Assets

Capital assets are stated at cost. The Authority observes the threshold stated in the statutes of the State of Colorado for capitalizing assets and capitalizes any item with an initial cost \$1,000 or greater and a useful life greater than one year.

Depreciation of capital assets is computed on the straight-line method based on estimated lives of the assets. Estimated useful lives used in computing depreciation are as follows:

BUSK IVANHOE WATER SYSTEM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

| | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and improvements | 20-30 |
| Collecting & impounding reservoir | 50 |
| Furniture and fixtures | 10 |
| Machinery and equipment | 4-40 |
| Wells | 25 |

The difference between the cost of assets removed from service and the amount of accumulated depreciation at the time of removal is written off as loss on abandonment of assets.

Retirement Plan

The system has established a retirement plan for the benefit of all eligible employees. The contribution to the plan is based on a percentage of each employee's gross compensation.

Special Permits

The System has obtained two special use permits with the U. S. Forest Service and an 1891 right of way to allow it to operate on Federal lands in connection with the operation and maintenance of the water collection system.

Risk Exposure

The System is exposed to various risks of loss related to property and casualty losses. It is the policy of Busk Ivanhoe Water System Authority to purchase commercial insurance, including worker's compensation, for the risks of loss to which it is exposed. Under this arrangement, the Authority assumes the risk for the amount of loss where sound risk management principles and prior loss experience indicate a premium savings greater than exposures assumed.

Note 2- Retirement Plan

Effective in 2005, the Authority adopted a Savings Incentive Match Plan (SIMPLE) for all employees who meet the eligibility requirements. All participants of the previous SEP Plan rolled over their accounts to Individual Retirement Accounts.

Each employee, twenty-one years or older, who has been employed for a minimum of one year, and who is reasonably expected to earn a minimum of \$ 5,000 is eligible to participate. Employee contributions are allowed to a maximum of \$ 13,500 in 2020. The Authority contributes a matching contribution to each eligible employee's SIMPLE up to a limit of 3% of the employee's compensation for the year. The Authority's contributions to the plan in 2020 and 2019 were \$ 3,724 and \$ 3,748, respectively. Each employee is fully vested and eligible for benefits.

BUSK IVANHOE WATER SYSTEM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 3- Cash and Investments

Cash received by Busk Ivanhoe Water System Authority is deposited in a bank. The Colorado Public Deposit Protection Act requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state legislators. Amounts on deposit in excess of Federal insurance must be collateralized. The eligible collateral is determined by the Public Deposit Protection Act. This act allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. Since all deposits are either insured or covered by the Public Deposit Protection Act, they are therefore not exposed to custodial credit risk.

Note 4- Changes in Capital Assets

A schedule of changes in capital assets for the year ended December 31, 2020 is presented below:

| | Capital Assets | | | |
|-------------------------------------|--------------------------|-------------------|-------------|---------------------|
| | Balance | Additions | Retirements | Balance |
| | 1/1/20 | | | 12/31/20 |
| Building and improvements | \$ 1,935,603 | \$ - | \$ - | \$ 1,935,603 |
| Furniture and fixtures | 16,866 | - | - | 16,866 |
| Equipment | 223,510 | - | - | 223,510 |
| Communication equipment | 16,558 | - | - | 16,558 |
| Heavy/Transportation equipment | 670,770 | - | - | 670,770 |
| Collecting and impounding reservoir | 1,494,311 | 2,636 | - | 1,496,947 |
| Wells | 11,644 | - | - | 11,644 |
| | <u>\$ 4,369,262</u> | <u>\$ 2,636</u> | <u>\$ -</u> | <u>\$ 4,371,898</u> |
| | Accumulated Depreciation | | | |
| | Balance | Depreciation | | Balance |
| | 1/1/20 | Expense | Retirements | 12/31/20 |
| Building and improvements | \$ 518,368 | \$ 55,510 | \$ - | \$ 573,878 |
| Furniture and fixtures | 16,304 | 286 | - | 16,590 |
| Equipment | 175,333 | 17,799 | - | 193,132 |
| Communication equipment | 12,419 | 1,656 | - | 14,075 |
| Heavy/Transportation equipment | 322,833 | 65,342 | - | 388,175 |
| Collecting and impounding reservoir | 183,379 | 29,912 | - | 213,291 |
| Wells | 10,014 | 466 | - | 10,480 |
| | <u>\$ 1,238,650</u> | <u>\$ 170,971</u> | <u>\$ -</u> | <u>\$ 1,409,621</u> |

BUSK IVANHOE WATER SYSTEM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 5- Accounts Payable

Accounts payable are comprised of outstanding bills for expenses, materials and capital assets related to the budget for the years ended December 31, 2020 and 2019.

Note 6- Compensated Leave

All full-time employees accumulate paid vacation leave according to a schedule based upon length of employment. This rate of accumulation ranges from eight hours per month after one year of employment to fourteen hours per month after fifteen years of employment. Employees are entitled to accrue up to a maximum of 248 hours of vacation leave from one year to the next based on the employee's date of hire anniversary. Employees are entitled to sell back a maximum of fifty-six hours of vacation per year. Payment is based upon the employee's regular hourly rate of pay in effect at the time. At termination employees are paid for any accumulated vacation leave at the employee's regular rate of pay or the average hourly rate of pay over the past twelve months, whichever is higher. The maximum number of hours available for a payoff is 248.

All employees who have worked at least ten working days of any calendar month accumulate sick leave at the rate of eight hours per month. Sick leave may be used only for reasons stated in the policy. An employee on sick leave will continue to earn sick leave and vacation credit. Sick leave may be carried over from one year to the next. The maximum allowable sick leave accumulation is 720 hours.

Accumulated sick leave in excess of the maximum carryover will be paid to the employee at the rate of their regular hourly rate to a maximum of ninety-six hours per year. At termination employees are paid for any accumulated sick leave to a maximum of seven hundred twenty hours at the employee's regular hourly rate of pay or the average hourly rate of pay over the past twelve months, whichever is higher.

The liability for accrued vacation and sick leave at December 31, 2020, is \$ 5,805 and \$ 38,230, respectively and the liability for accrued vacation and sick leave at December 31, 2019, is \$ 4,555 and \$ 40,420, respectively.

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BUSK IVANHOE WATER SYSTEM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 7- Budget Reconciliation

Since accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation for the year ended December 31, 2020 is presented as follows:

| | |
|--|-------------------|
| Contribution to reserve as shown on the Statement of Revenues, Expenses and Expenditures as Compared with Budget | \$ 164,786 |
| Adjustments | |
| Gain on sale of assets | - |
| Capital expenditures | 2,636 |
| Depreciation | <u>(170,971)</u> |
| Change in position | <u>\$ (3,549)</u> |

Note 8-Tax, Spending and Debt Limitations

The Busk Ivanhoe Water System Authority, as previously noted, is formed from an Intergovernmental Agreement of two governmental entities and does not have the right to levy taxes. In addition, it operates as an enterprise activity. For these reasons, the Busk Ivanhoe Water System Authority believes it is exempt from the requirements of Amendment One, also known as the Taxpayer's Bill of Rights (TABOR).

Note 9- Related Party Transaction

The Busk Ivanhoe Water System Authority paid the Board of Water Works of Pueblo, Colorado, one of the Authority's members, \$ 25,000 for accounting and administrative services in 2020 and 2019, respectively.

Note 10- COVID 19 Pandemic Response

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety measures for our people (like social distancing and staggered shifts) and securing the supply of materials that are essential to our production process.

At this stage, the impact on our business and results is limited. We will continue to follow the various national institutes policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

BUSK IVANHOE WATER SYSTEM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 11- Subsequent Events

The Authority is subject to the provisions of Financial Accounting Standards Board (FASB) ASC 855-10-50, *Subsequent Events*, which establishes a requirement for disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date that they were available to be issued. The Authority has evaluated subsequent events through June 21, 2021, the date the financial statements were available to be issued.

BUSK IVANHOE WATER SYSTEM AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND EXPENDITURES
AS COMPARED WITH BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Actual</u> |
|---|-------------------------|--------------------|--------------------|---------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Over (Under)</u> |
| OPERATING REVENUE | | | | |
| Operating assessments | \$ 450,000 | \$ 450,000 | \$ 450,000 | \$ - |
| Interest Income | - | - | 75 | 75 |
| Expense reimbursements | <u>25,000</u> | <u>25,000</u> | <u>42,892</u> | <u>17,892</u> |
| Total operating revenue | <u>475,000</u> | <u>475,000</u> | <u>492,967</u> | <u>17,967</u> |
| OPERATING EXPENSES AND EXPENDITURES | | | | |
| Personnel services | 184,560 | 184,560 | 181,896 | (2,664) |
| Operation and maintenance | 177,263 | 177,263 | 143,649 | (33,614) |
| Capital expenditures | <u>57,000</u> | <u>57,000</u> | <u>2,636</u> | <u>(54,364)</u> |
| Total operating expenses and expenditures | <u>418,823</u> | <u>418,823</u> | <u>328,181</u> | <u>(90,642)</u> |
| | <u>56,177</u> | <u>56,177</u> | <u>164,786</u> | <u>108,609</u> |
| OTHER REVENUE (EXPENSES AND EXPENDITURES) | | | | |
| Contribution (to) from reserve | <u>(56,177)</u> | <u>(56,177)</u> | <u>(164,786)</u> | <u>(108,609)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND EXPENDITURES | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

BUSK IVANHOE WATER SYSTEM AUTHORITY
STATEMENT OF OPERATING EXPENSES AND EXPENDITURES
AS COMPARED WITH BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Budgeted Amounts | | Actual | Actual |
|--|-------------------|-------------------|-------------------|--------------------|
| | Original | Final | | Over (Under) |
| | | | | Budget |
| PERSONNEL SERVICES | | | | |
| Salaries -- skills and trades | \$ 102,392 | \$ 102,392 | \$ 99,669 | \$ (2,723) |
| Salaries -- overtime | 9,576 | 9,576 | 8,680 | (896) |
| Medical insurance | 42,244 | 42,244 | 42,244 | - |
| Payroll taxes | 8,724 | 8,724 | 8,961 | 237 |
| Workers' compensation and unemployment | 4,642 | 4,642 | 3,534 | (1,108) |
| Retirement | 3,607 | 3,607 | 3,724 | 117 |
| Sick leave expense | 5,107 | 5,107 | 5,545 | 438 |
| Vacation expense | 8,268 | 8,268 | 9,539 | 1,271 |
| Total personnel services | <u>184,560</u> | <u>184,560</u> | <u>181,896</u> | <u>(2,664)</u> |
| OPERATION AND MAINTENANCE | | | | |
| Communication | 5,850 | 5,850 | 5,988 | 138 |
| Insurance | 16,000 | 16,000 | 15,972 | (28) |
| Miscellaneous | 660 | 660 | 1,138 | 478 |
| Outside services | 48 | 48 | 48 | - |
| Postage | 50 | 50 | 60 | 10 |
| Professional -accounting | 9,000 | 9,000 | 8,645 | (355) |
| Professional -administration | 25,000 | 25,000 | 25,000 | - |
| Professional -consulting | 2,000 | 2,000 | - | (2,000) |
| Professional -legal | 4,000 | 4,000 | 4,513 | 513 |
| Repairs and maintenance | 25,000 | 25,000 | 18,130 | (6,870) |
| Rent | 1,070 | 1,070 | 2,150 | 1,080 |
| Supplies | 5,500 | 5,500 | 2,973 | (2,527) |
| Travel and meals | 18,250 | 18,250 | 12,741 | (5,509) |
| Transportation and shipping | 3,000 | 3,000 | 2,209 | (791) |
| Utilities | 15,900 | 15,900 | 13,699 | (2,201) |
| Vehicles | 14,245 | 14,245 | 8,693 | (5,552) |
| Water storage | 21,690 | 21,690 | 21,690 | - |
| Contingency | 10,000 | 10,000 | - | (10,000) |
| Total operations and maintenance | <u>177,263</u> | <u>177,263</u> | <u>143,649</u> | <u>(33,614)</u> |
| CAPITAL EXPENDITURES | | | | |
| Building improvements | 3,000 | 3,000 | - | (3,000) |
| Dam improvements | 30,000 | 30,000 | 2,636 | (27,364) |
| Facility improvements | 24,000 | 24,000 | - | (24,000) |
| Total capital expenditures | <u>57,000</u> | <u>57,000</u> | <u>2,636</u> | <u>(54,364)</u> |
| Total operating expenses and expenditures | <u>\$ 418,823</u> | <u>\$ 418,823</u> | <u>\$ 328,181</u> | <u>\$ (90,642)</u> |